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January 11, 1975

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MEXICO

Foreign Secretary Rabasa, in contrast to spokesmen for some other Latin nations, is guardedly optimistic that the dialogue with the US will improve.

Rabasa told newsmen on January 7 that the decision by Ecuador and Venezuela to boycott the Buenos Aires meeting of foreign ministers in March in protest against the US Trade Reform Act was an "error." Though he acknowledged that their attitude deserved respect, he said the whole point of the US-Latin dialogue is to pose complaints directly to Washington.

He hinted, however, that success of the dialogue hinges largely on achieving concrete results at Buenos Aires. He said results should include specific agreements on the transfer of technology, multinational companies, and the trade bill.

Mostly because Mexico is not a member of the Organization of Petroleum Exporting Countries, its attitude toward the trade bill is not as negative as others in Latin America. Although recognizing that the law could affect the export of some of Mexico's primary agricultural products, officials hope that provisions favoring developing countries can benefit Mexico's overall trade picture. Dependent as it is on trade with the US, Mexico is in any event not about to invite US retaliatory action.



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PORTUGAL

The moderate Popular Democratic Party has reportedly threatened to withdraw from the provisional government's three-party coalition if a Communist-supported draft labor law providing for a single labor confederation is passed.

The Popular Democrats, together with the Socialists, want a law that allows for the formation of several labor organizations. The current draft was prepared by the former minister of labor, a member of the Portuguese Communist Party, and represents an attempt by the Communists to transform the labor confederation established by the previous regime--and now under Communist control--into the only legal confederation. Such a development would help ensure Communist control over existing labor unions as well as any that might be formed in the future.

The bill was presented to the cabinet early this week, following approval by the Superior Council of the Armed Forces. Although the Socialists argued strongly against the bill, they did not commit themselves to quit the government along with the Popular Democrats.

The debate will resume on January 17, when a new version of the bill will be submitted to the cabinet. A Socialist Party official has told the US embassy, however, that the latest version would further strengthen the position of the central labor organization inherited from the previous regime.

The Communists, meanwhile, are scheduling labor demonstrations on January 14 to enlist popular support for their position. The last time labor was brought out into the streets was in connection with the events leading to President Spínola's resignation.

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DENMARK

With parliament scheduled to reconvene in less than two weeks, Danish Prime Minister Hartling is looking for possible coalition partners following the inconclusive outcome of Thursday's national election.

Social Democratic leader Jorgensen called for Hartling's resignation as soon as the election results were announced. Jorgensen maintains that Hartling will not be able to push his economic "crisis plan" through parliament without a majority government.

The Social Democrats, who command the largest voting bloc in parliament, picked up 7 new seats in the election, for a total of 53 in the 179-seat parliament. Hartling's Moderate Liberals nearly doubled their representation, capturing 42 seats.

Hartling has indicated that he will not step aside for Jorgensen, and will probably try to win backing for his economic plan from the non-socialist parties, his traditional base of support. The Progressives, the third largest party, have opposed Hartling in the past.

A coalition composed of the Moderate Liberals and the Social Democrats seems even less likely. With both parties viewing the election as a mandate for their conflicting programs, neither is disposed to compromise. An additional complicating factor is the genuine mutual dislike that exists between Hartling and Jorgensen. If Hartling cannot strike a coalition bargain with the other non-socialist parties, he is likely to continue in office as a minority prime minister.

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SRI LANKA

Drought in key northern and eastern rice-growing areas has forced Prime Minister Bandaranaike to double projected rice imports for 1975 to 600,000 tons. Government projections of the winter rice harvest to begin in February--normally two thirds of annual production--have been reduced to 450,000 tons, the lowest volume in nine years and a staggering 40-percent drop from last year's record harvest. Moreover, the monsoon's failure to fill reservoirs storing irrigation waters is likely to curtail seriously the summer rice crop. Planned imports of 470,000 tons of wheat and flour may also have to be increased.

Imports other than grain and fertilizer have been sharply curtailed for the past two years, hampering industrial production. Barring increases in foreign aid, further reductions in such imports seem inevitable. Colombo's import projections and scheduled debt repayment for 1975 are nearly twice projected export earnings. Foreign borrowing and projected aid inflows--including aid from Arab oil producers announced last week--fall about \$150 million short of the government's projected payments for 1975.

As in the past, Mrs. Bandaranaike's political opponents on both the right and the left will try to use the country's worsening economic situation against her. Although the Prime Minister has thus far managed to hold her own, she is also sensitive to their attacks and will make every effort to ensure that at least minimal grain supplies are available.

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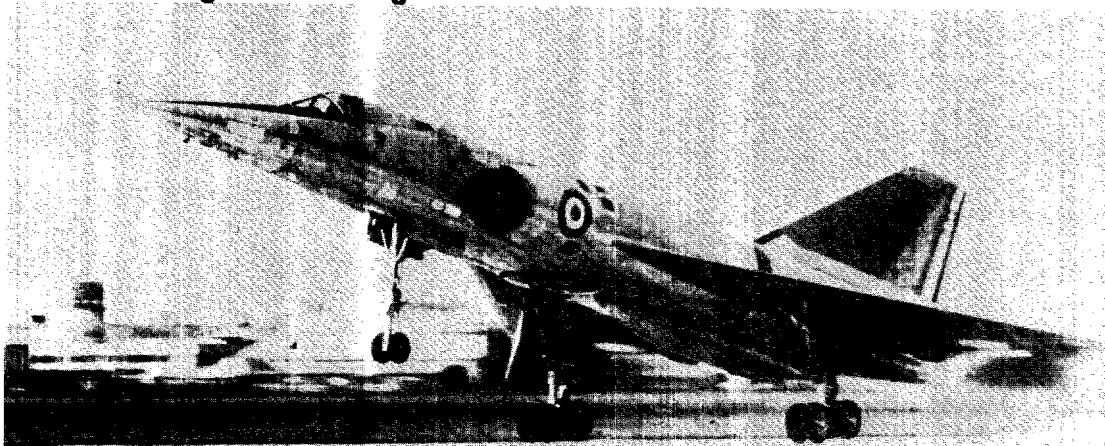
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French Mirage IV Strategic Bomber



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France: A French air force Mirage nuclear bomber crashed on January 9, according to a press report. Defense spokesmen gave no reason as to the cause of the crash, but it may have been related to aircraft fatigue. After 11 years in service, the fleet is known to have maintenance and aging problems. Mechanical failure was responsible for a series of crashes involving Mirage IV bombers in 1973. The air force requested funds early last year to refurbish the aging bombers, but the government decided to postpone reconditioning them for one year because of budgetary constraints. The French hope to keep these aircraft in service until 1985.

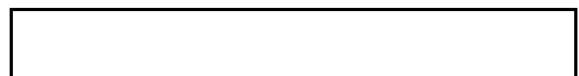
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South Vietnam: President Thieu's nationwide address yesterday appealed for greater popular support for the government in the wake of intensified Communist military attacks. He was vague as to what future military and diplomatic moves he may take, other than to state that the government would try to recapture Phuoc Long Province. He also said that he would issue broad international appeals for condemnation of the Communists' serious violation of the cease-fire agreement. His remarks on recapturing Phuoc Long did not carry a sense of urgency; they appear to have been made more in the context of reassuring the people that the government would not write off any territory lost to the Communists. The speech contained no references to the US and did not appeal for additional US military or economic assistance.

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